

COUNTY OF SAN DIEGO, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject

Interlocking Directorates

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Purpose

To establish Board Policy with respect to conflict of interest arising out of contracting with companies having interlocking directorates.

Background

The County contracts for services with many businesses and organizations, many of which utilize subcontractors in the performance of their contractual tasks. In some cases there may be an overlapping of directorates, ownership, or management between the prime contractor and its subcontractor. Where full competitiveness within the marketplace is not possible in the procurement process, a conflict of interest, or even the appearance thereof, may result when interlocking directorates, management, or ownership exists. This issue is most apparent with negotiations utilizing related for profit corporations as subcontractors. Related in this sense means similar management or ownership. In this latter case, it is essential that such interlocking relationships be identified, reviewed and specifically addressed prior to contract award.

Policy

It is the policy of the Board of Supervisors that:

The County will not enter into service-type contracts with non-profit corporations who intend to subcontract with related for-profit subcontractors unless specifically authorized by the Board of Supervisors. Authorization shall occur only when the Policy is waived and the procedure outlined below is followed.

Procedure

Where non-profit corporations are identified and solicited in the procurement process, each shall be required to identify any related for-profit subcontractors in which an interlocking directorate, management or ownership exists. This shall be accomplished by a clause in the solicitation which requires the contractor to identify such interlocking relationships or certify that none exists. All such contracts proposed for award must be approved by the Board of Supervisors. Specific information concerning the existence of this condition and a specific recommendation for award under those conditions shall be made a part of the Board letter requesting contract approval. The requiring Department will provide a concrete monitoring plan which ensures that an increased level of monitoring of the contractor and subcontractor occurs during the contract administration

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phase. Each monitor assigned to the contract shall have the ability to comprehend fiscal/accounting skills as well as possessing knowledge of service and delivery requirements.

Sunset Date

This policy will be reviewed for continuance by 12-31-08.

Board Action

9-12-78 (6)

10-30-84 (97)

12-15-87 (31)

11-07-95 (34)

6-15-04 (25)

CAO Reference

1.Chief Financial Officer/Auditor and Controller

2.County Counsel